Annual Report 1998

YUKON WORKERS' COMPENSATION HEALTH AND SAFETY BOARD

100-04896/

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A message from the Members of the Board

Karen Waroway

Joe Radwanski

Hank Ambrose

John L Wright

Arden Meyer

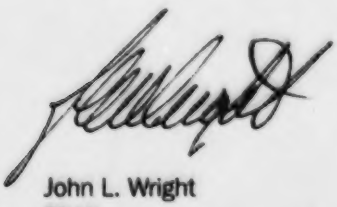
David Hughesman

The last year provided the opportunity for experienced board Members to tackle the job of setting a course for the foreseeable future of the Board. We, in consultation with the staff and the stakeholders, engaged in an intensive strategic planning exercise that resulted in a strategic plan being approved by the Board in August 1999. We have conducted a thorough review of and made some significant changes in the manner in which we fulfill our financial investment responsibilities, and as a result, have experienced excellent investment returns. We have looked at our funding and can assure the stakeholders that we are adequately funded, while at the same time providing workers among the highest benefits and employers among the lowest assessment rates in Canada. This has been the tradition of the workers' compensation system since shortly after its inception, and it is one that we are determined to continue.

We have not lost sight of the fact that the vast majority of both workers and employers consider themselves well served by the workers' compensation system in the Yukon. We are firmly convinced that we are on the right track and we will continue the direction set and maintained by all previous Boards in maintaining a financially viable, effective, and efficient compensation system that meets the needs and expectations of the vast majority of its stakeholders. To ensure that we continue to keep in touch with our stakeholders we have established worker and employer advisory committees, and appointed eight members to each. These volunteer committees have already provided invaluable feedback to the Board. We are grateful to them for the work they have done, and the advice they have offered.

Finally, we began the work of developing a governance policy for the Board that will, for the first time in the history of the board, clearly define the respective roles, duties and responsibilities of the Board Members, president, and staff. The relationship and accountability of the Board to the Minister is necessarily a component of this governance work. We will see this work completed in the fall of 1999.

No message from the Board Members would be complete without recognizing, on behalf of all the Yukon workers and employers we represent, the dedication and work of the employees at the board. We thank them for a job well done and their commitment to continue a high level of service into the future.



John L. Wright
Chair

A message from the President

This past year was groundbreaking for the Yukon Workers' Compensation Health and Safety Board. It marked the beginning of our new approach to working with you—the stakeholders. During the year, several major initiatives were undertaken to clearly define our strategic plan, our financial standing, and our preparedness for the Year 2000, each critical for taking us into the next millenium.

Our strategic planning process saw the development of a draft strategic plan with involvement of staff and stakeholders. This plan represents a statement of principles, core values, core strategies, and initiatives at a high level, while still being directly transferable to the day-to-day activities of all of us in the organization. In November and December we discussed the draft plan with you. We received comments and recommendations from you, which we have attempted to include in the final version. In 1999 the Board will approve the strategic plan, and with its approval and implementation, a new approach to working with you will become the mandate of the organization.

In 1998 we worked to more clearly define the financial standing and state of the compensation fund by undertaking a thorough actuarial review of the benefits liabilities. This review resulted in changing the amount of money set aside in the Benefits Liability Reserve. Other impacts of our review were the creation of a Prevention & Benefit Enhancement Reserve as well as an increase in the Rate Stabilization/Rate Transition Reserve. These findings and conclusions were confirmed with you through our consultations in November and December. When you review the financial statements, you will see the results of these revisions, and the positive impact they should have on your fund.

At your request, we also undertook a review of the classification structure and assessment rates for the Yukon. The classification structure used until now has been in force since the mid-1970s. Although it was appropriate at that time, it no longer reflects the economic realities of the Yukon. During November and December, we met with you and discussed various options for our classification structure and assessment rates. We have received a great deal of information and suggestions from you, and as a result, the Board will announce a new classification and assessment rate structure in 1999.

To complete this round of financial evaluation and planning we will develop and implement new policies dealing with funding and investments in 1999. Completion of these initiatives will set the board's financial standing and planning on solid ground.

Lastly, we began actively consulting with you, the stakeholder, in 1998. This was an initiative long overdue and as president, I am committed to continuing our consultations. I will maintain an open door to hear your comments, concerns and most importantly—your recommendations. I look forward to the year ahead and the positive changes we will jointly make to continually improve our organization.

Tony Armstrong
President and Chief Executive Officer

Corporate Services Branch

The Corporate Services Branch provides support to the entire board, and, until late 1998, was comprised of four units: human resources; records management; policy, planning, and evaluation; and systems administration. In December, the systems administration unit was moved to the financial services branch. This move was part of an organizational restructuring that aligned board operations with the strategic plan.

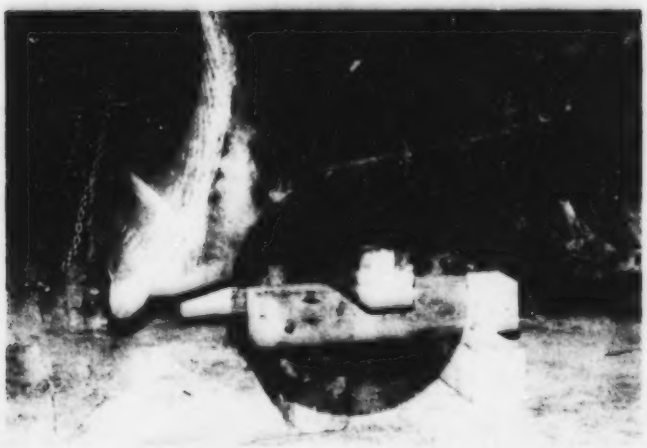
Human Resources Unit

In 1998, the focus of the Human Resources Unit was on corporate training and professional development activities for board members and staff. The goal was to ensure that everyone at the board has the knowledge and skills required for providing quality service to our clients.

Our work environment is challenging. Staff members have to be ready to fairly interpret legislation and meet the demands of an ever-changing workplace. They must be aware of advances in medical technology and emerging issues related to compensation. They also need a wide variety of interpersonal skills and strong communication abilities.

Sessions on upgrading computer skills, communications, and board operations formed the majority of our training courses. A new initiative was the provision of regular training sessions by in-house resources such as the medical consultant and policy unit staff.

The unit also recruited and selected staff for the vacancies that occurred over the year, managed the facility and responded to an increasing number of access-to-information inquiries. In addition, the unit has been heavily involved in reviewing and analyzing the corporate structure, to bring it in line with the strategic plan.



Yukon Workers' Compensation Health and Safety Board Staff training/ education report: January 1998 – December 1998

CATEGORY	COURSE NAME(S)	OFFERED BY	COURSE HOURS	STAFF ATTENDING
COMPUTER	Internet Introduction and Research Techniques, Word,Levels 1,2,&3,Outlook Introduction, &Champions, Access, Excel Levels 1,2,&3, Power Point Introductory & Advanced, 2 Athabasca courses.	Staff Development, On-Site Tutoring, and Athabasca University	954	22
TOTAL			**954**	**22**
TRAINING SPECIFIC TO BOARD OPERATIONS	Access to Information	Staff Development	66	11
	Policy Information & Reference Tools	YWCHSB Policy Staff	42	28
	NWISP	YWCHSB – Contract Consultant	154	7
	International Jurisdiction Agreement	YWCHSB – Contract	189	9
	Foundations of Administrative Justice	Staff Development and Yukon College	390	13
	Association Workers' Compensation Boards of Canada College	AWCBC	198	9
	Medical	YWCHSB – Medical Consultant	37	8
TOTAL			**1,076**	**85**
BUSINESS SKILLS TRAINING	Records Management	ISB – Steve Hagerman, and YWCHSB – Records Manager	103	13
	Contracting	Gov. Services	2	1
	Priority Management	Staff Development	28	2
	Surveys	Staff Development	15	1
TOTAL			**148**	**17**
COMMUNICATIONS	Voice Mail	NWTel	8	4
	Plain Language	Staff Development	6	2
	Writing Skills	Staff Development	15	2
	Public Consultations	Staff Development	10.5	3
	Conflict Resolution/Negotiation/Mediation	Staff Development	109	6
	Process Facilitation	Staff Development	21	1
	Spanish (Course taken privately)	Yukon College	21	1
	French for Beginners	French Language Services	45	1
TOTAL			**2220**	**20**
LEADERSHIP	Site Manager	Staff Development	16	2
	Leadership & Communications for Women	Staff Development	14	1
	Introduction to H.R. Management	Staff Development	63	3
	Coaching	Staff Development	14	2
	Supervisory Skills	Staff Development	235	6
	Dealing With Change, Managing Change, Challenge of Change	YWCHSB – Consultants and Conferences	30.5	2
	Establishing Performance Expectations	YWCHSB – Staff Development Consultant	49	7
	Innovations (Leadership Satellite)	Yukon College	6	1
	Worldwide Lessons in Leadership	Yukon College	28	4
	Successfully Managing People	Staff Development	21	1
TOTAL			**476.5**	**29**
TECHNICAL AND SAFETY	Behaviour Based Safety	YWCHSB – Contract Consultant	44	4
	WHMIS, Gas Plant Training, Object-Oriented Design and Java, Investigative Techniques	YWCHSB, YTG, ISB, RCMP	112	5
	Defensive Driving	YTG –OHS (Staff Development)	2	1
	Street Smart	YTG- OHS	7	1
TOTAL			**165**	**11**
OTHER	Pre-Retirement	Staff Development	66	3
	EMO	EMO	15	1
	Land Claims	Staff Development	47.5	2
TOTAL			**128.5**	**6**

The following training was done by staff who have left YWCHSB.

Computer:	71 hours
Communication – Conflict Resolution:	45 hours
Other: - Land Claims	7.5

Policy Planning & Evaluation Unit

Responsibilities and Duties

The primary role of the Policy Planning and Evaluation Unit is to coordinate, research, analyze and develop policies under the direction of the president of the board. The unit also develops the directives and procedures that affect all branches of the board; and it provides policy and legal interpretations and advice to the board's staff.

Project Activities

In 1998, the unit participated in an analysis of administrative costs and initiated a security assessment. It conducted training and information sessions for staff on policy issues and assisted with the development of a training program for Internal Review Committee members. A series of information sessions were also delivered to clients.

In the past year, the unit continued with a comprehensive review of the existing appeal process. With expert advice, it performed calculations to project the annual earnings of 90 percent of Yukon workers to the year 2003, as required by the *Workers' Compensation Act*. The unit was also an active participant in the board's strategic planning process and it played a key role in developing and implementing the board's web site.

Research Activities

Over the last year, the unit researched over a dozen subjects including adjudicator and appeal panel training; appeals policies, practices and procedures; attachment, assignment, set-off, recovery and transfer; and compensation for personal property. It also gathered information on designated workers (Bill #40); elections officers; forest-fire fighting personnel; indemnification; non-resident workers and employers; pecuniary loss; resident workers on temporary assignment outside; retroactive deeming; statutory limitations; subrogated claims; volunteer structural fire fighters; and volunteers in general.

National and International Surveys

In 1998, the unit participated in 23 national and international surveys including ones conducted by the Association of American State Compensation Insurance Funds, Association of Workers' Compensation Boards of Canada, Canada Pension Plan, Canada-Yukon Business Centre, Canadian Institute for Health Information, Canadian Payroll Association, Canadian Restaurant & Foodservice Association, Human Resources Development Canada, International Association of Industrial Accident Boards and Commissions, Royal Commission on Workers' Compensation of British Columbia, and U.S. Chamber of Commerce.

Policies under Development or Review

During the last year, the unit reviewed policies on the following subjects: the Appeal Panel counsel; average weekly earnings; board and staff travel; contractors, independent operators; development and application of board policy; reviews and appeals; sole proprietors.

Policies were revoked on members of the legislature, employers in more than one industry, full or part-time employees, minimum assessment, audit procedures, management companies, collection of assessments, penalties and assessments payable.

Board Orders

Two Board orders were approved in 1998: the maximum wage rate for 1999 and the maximum assessable earnings for 1999.

Policy and Legislative Interpretation and Advice

Throughout the last year, the unit helped over 200 internal and external clients with a wide range of workers' compensation and occupational health and safety issues.

Records Management Unit

During 1998, the management team decided to implement the Yukon Government's standard records classification system. Work began on phase one – planning and implementing the Board's operational records management program. The records manager worked on the development of the program, and user acceptance, by providing in-house training on the new corporate classification system. The board library was automated and added to the web site home page for ready access by all staff and interested readers. The unit also experienced a significant increase in the number of releases of information from workers, employers, the worker advocate, the appeal panels and the ombudsman.

Records Management Unit Statistics

Release of Information Requests - 1998

Period	Workers	Workers Advocate	Employer	Ombudsman	*ATIPP	*APC	*Other	*Total
Jan-Dec	58	133	2	2	2	3	2	202

*ATIPP – Access to Information and Protection of Privacy

*APC – Appeal Panel Counsel

*Inter-jurisdictional Agreement Reviews

*In 1997, there were 110 requests for information.

Occupational Health and Safety (OHS) Branch

Workplace Inspections

The purpose of an inspection by OHS is to provide direction and education, when it is needed, to employers and workers, and to ensure that the workplace parties are carrying out their responsibilities for worker safety. Employers, supervisors, and workers are responsible for controlling hazards, preparing for emergencies, and ensuring proper training for their work environment.

There was a special focus during the summer of 1998 on mobile equipment and scaffolds. A consulting inspector provided detailed inspections and education services for owners of fixed and mobile cranes, hoists, loaders, excavators, and bulldozers, just to name a few. Scaffolds, ladder jacks and other temporary work platforms were also carefully examined for proper construction.

Serious Injury, Serious Accident and other Investigations

Some of the investigations conducted by the OHS were incidents of serious injuries, or incidents that had the potential for serious injury, including death. Others were based on complaints, or were in response to concerns over workplace hazards that may have had implications for disability.

Occupational Health Surveys

In 1998, there were investigations related to chemicals, ergonomics, air quality, noise, light, temperature, and other health concerns. In addition, the Radiation Protection Branch of Health Canada conducted inspections on all dental facilities to ensure compliance with the Radiation Protection Regulations. WCHSB and the Yukon Department of Health shared the costs for this service.

Education and Training

A total of 250 students participated in 23 courses delivered by the branch.

A contract was given to Yukon College to examine the feasibility of a Supervisor's Safety Training Program. This contract concluded that there is both a need, and a sufficient interest by industry, municipal, territorial, and first nations governments to have supervisors in moderate to high-risk industries take this type of training. The course is being developed and will be ready in 1999.

Hazard Awareness

The Whitehorse Trade Show, Dawson Gold Show, and Watson Lake Fall Fair were events where the public had the opportunity to meet WCHSB staff and discuss aspects of the board's activities.

Two seminars focussed on specific topics this year and provided participants with detailed information. "Health Hazards in Welding" was attended by 20 welders and mechanics in the field. We also presented a course on "Behavior Based Safety" to participants.

Radio and print ads provided awareness of the hazards of scaffolds, the proper operation of ATVs, and the importance of annual hearing testing, as well as other issues.

Consultation and Information Services

The OHS staff provides extensive consultation services to our clients. In 1998, the unit responded to 833 requests for information. They also performed on-site discussions on health and safety issues, problems, and solutions.

Regulation Development and Review

In 1998, consultations were held with industry and labour groups, and new oil and gas regulations were developed.

The General Safety Regulations and Mine Safety Regulations were also extensively reviewed by the branch, and drafts are being developed. The drafts will be ready for public consultation in 1999.

OHS Stats:

Worksite Inspections 582

Accident Investigations 116
(87 concerned the potential for serious injury or death)

Occupational Health Investigations 45
(chemicals, ergonomics, air quality, noise, light, temperature)

OHS courses delivered to workers and employers 23
(250 participants)

Seminars conducted (90 participants) 2

Claimant Services

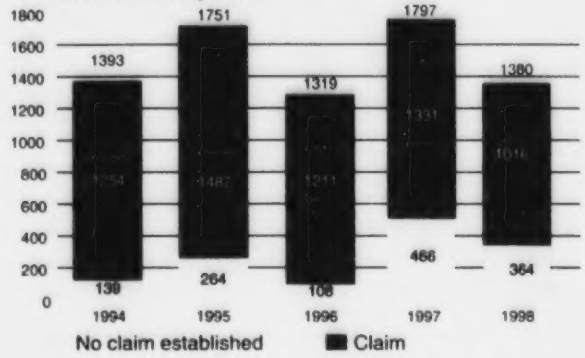
In 1998, the focus at Claimant Services was on improving care management services for injured workers. Efforts were undertaken to ensure that care management teams of adjudicators and rehabilitation counsellors were effective in assisting injured workers to recover from their injury and return to work. Training was provided in administrative law, policy interpretation, vocational rehabilitation, and conflict resolution. Current claims administration procedures were reviewed to identify opportunities for increased efficiency.

A new injury coding system was introduced in 1998 to permit the board to participate with other jurisdictions in the National Work Injury Statistics Program (NWISP). This initiative ensures Yukon produces data that is comparable to data gathered across Canada. The information generated will be used to guide future efforts to prevent injuries in the workplace.

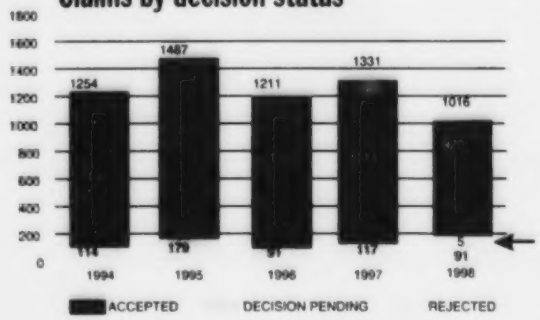
In 1998, Claimant Services developed procedures and completed staff training that has enabled the board's full participation in the Interjurisdictional Agreement on Workers' Compensation. This has enhanced our ability to work co-operatively with other jurisdictions in the delivery of benefits and services to injured workers.

Activities and Outcomes

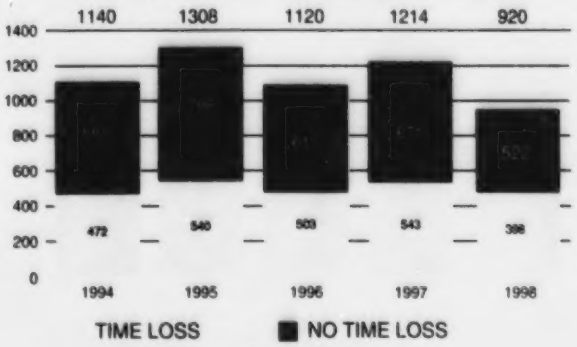
Incidents Reported



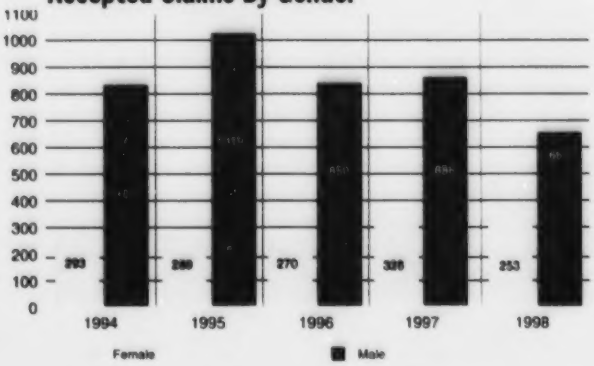
Claims by decision status



Time loss / No time loss accepted claims



Accepted Claims By Gender



An incident is any injury or illness reported to WCHSB by a worker, employer or physician. Not all incidents result in the establishment of a claim, despite WCHSB's efforts to obtain necessary information.

A claim is established when a worker's report of injury or illness has been received by WCHSB.

Accepted Claims:

Time loss claims: A claim in which the worker is off for one or more days following the day of injury.

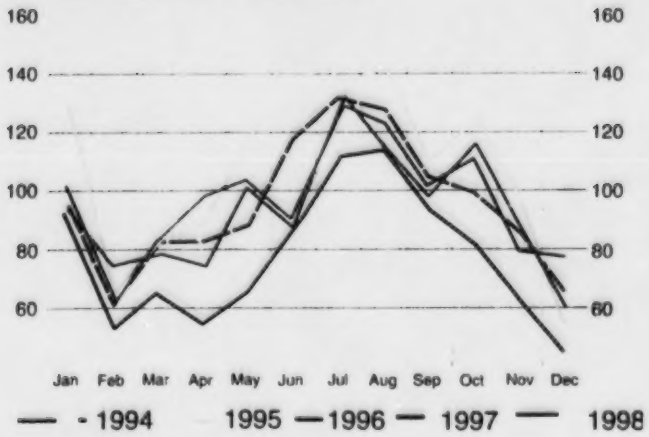
No time loss claims: A claim in which the worker does not lose time from work.

Rejected Claims

These are claims that are disallowed or not eligible for the following reasons:

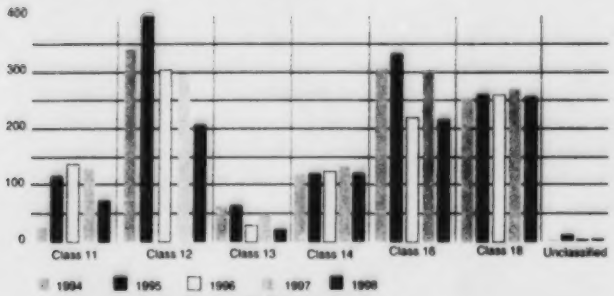
- insufficient information is available to process the claim - there are cases where WCHSB requests for additional information were not responded to by the worker or employer.
- the industry or the worker is not covered under *Workers' Compensation Act.*
- the injury or illness did not arise out of or did not occur in the course of employment.

Claim by month of Occurence



Revisions: Previous year statistics are revised as of March 31 the following year. A change may occur for the following reasons: appeal decisions; new evidence or information received; an award given for a permanent impairment of function.

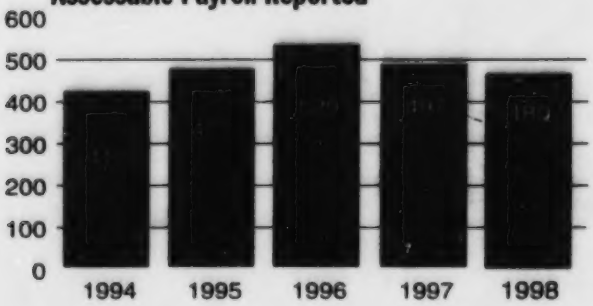
Accepted claims by class



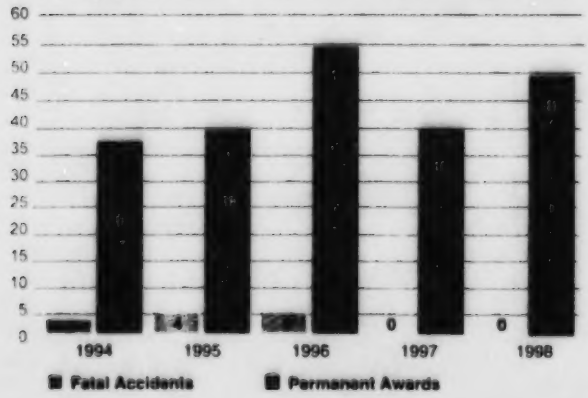
Class

11 Mining
12 Construction, Trucking, related services
13 Business, Public Administration
14 Specified Trades
16 Service Industries
18 Government

Assessable Payroll Reported



Accepted Claims - Fatalities/Permanent Awards

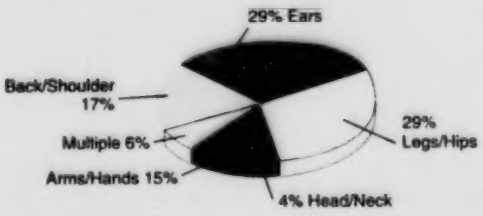


Claims reported by geographical region

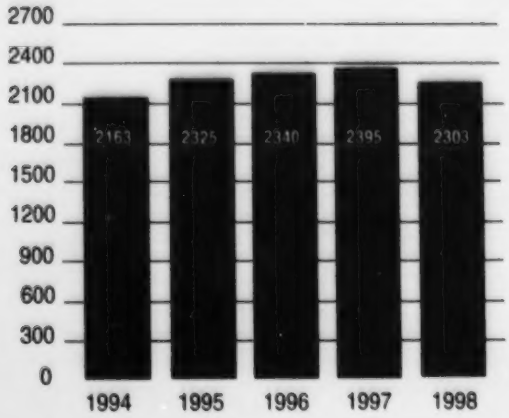
Yukon	895
Outside Yukon	9
Multiple Locations	16
Total	920

Permanent Impairment

Awards by parts of the body.



Employees Registered



* These figures have been recalculated to include personal coverage payroll amounts reported in the Employer Payroll Return and penalties levied.

Parts of the body affected by claims reported

Body systems injuries	8
Head injuries	129
Neck injuries	18
Upper extremity injuries	318
(arm, hand, finger)	
Multiple body parts injuries	31
Nonclassifiable	1
Trunk injuries	268
(chest, back, shoulder, abdomen)	
Lower extremities injuries	147
(leg, foot, toes)	
Total	920

Appeal Information

Internal Review Committee (IRC)

The Internal Review Committee is the first level of appeal in a two-level appeal process for all claims and rehabilitation decisions. Appeals are either documentary reviews of files or hearings conducted before the IRC. The IRC is composed of senior staff members from the YWCHSB.

In 1998, forty-two appeals were conducted and the following results were recorded:

- Reversed (in favour of the appellant) 8
- Varied or multiple decisions 10
- Upheld (adjudicator's ruling upheld – appeal denied) 21
- Postponed/Withdrawn/Cancelled/Adjourned 3

Appeal Panel (AP)

The appeal panel is the final level of the appeal process for claims and rehabilitation decisions. Appeals under the OH&S Act and appeals of assessment decisions go directly to the Board level. The Board Members of the YWCHSB have the legislated responsibility to hear appeals. The Appeal Panel is comprised of three members: one of the two worker representatives; one of the two employer representatives, and either the Chair or Alternate Chair.

In 1998, thirty- three appeal hearings were conducted and the following results were recorded:

- Reversed (in favour of appellant) 13
- Varied or multiple decisions 1
- Upheld 10
- Postponed/Withdrawn/Cancelled/Adjourned 6
- Pending or outstanding as of December 31, 1998 4

Financial Services Branch

The Financial Services Branch provides corporate financial services to the board, and is also responsible for the assessment function and information systems.

The Chief Financial Officer and Financial Services managers perform corporate financial duties for the board including the accounts payable and receivable function, monitoring and review of expenses, management of the investment portfolio, and preparation of the annual financial statements. The Financial Service managers are also responsible for the assessment function, including classification of new employers, registration of new accounts, and collection of assessment revenue. The total revenue recorded by the board is almost evenly split between investment and assessment revenue. The financial position of the board remains strong at the end of 1998, and will stand us in good stead as we move forward on the path outlined in our strategic plan.

The assessment auditor handles complex assessment issues, and acts as a resource to the Financial Services managers on assessment issues. He also liaises with the employers in the field and performs payroll audits to ensure that assessable payroll is reported accurately to the board.

During 1998, work began on the design and development of a new computer system for the assessment function. The current system is over twelve years old, and inefficient in many of its' operations. In a review of all systems at the board for Year 2000 compliance, the assessment system was the only one that could not be fixed to accommodate the change in date. The design phase is currently underway, and full implementation of the new system will occur by August 1999.

The manager of Information Systems provides technical systems expertise to the board, and manages the corporate information needs of all programs. The board has three major computer systems; the assessment system, the financial system, and the claims information management system. During 1998, a review of these systems, all computer hardware and software, and all building infrastructure systems was undertaken by the manager, resulting in a comprehensive report on the corporation's readiness for the Year 2000. In addition to the replacement of the assessment system, upgrading of the claims system, and minor upgrades to desktop computer software were required to prepare for the Year 2000. All work required for the Year 2000, including contingency plans will be completed by August 1999. The board is confident that we will experience no difficulties as we move into the next millenium.

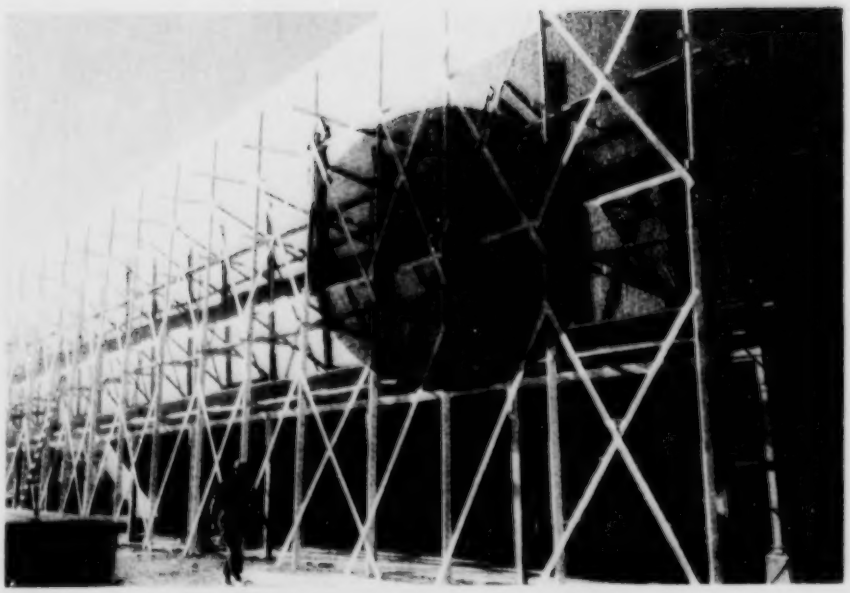
Systems Unit

In the first part of 1998, the board contracted with PricewaterhouseCoopers to undertake a complete assessment of Year 2000 compliance and to produce an integrated implementation plan for corrective action. This review identified seven types of computer system environments to be assessed for Year 2000 compliance:

Assessments System;
Claims Information Management System (CIMS);
Financial System and Associated Spreadsheets;
Desktop Systems;
Information Services Branch Platform and Application Environment;
Facilities Embedded Systems; and
Other Local/Limited Use Applications.

The summary report outlined the activities undertaken by the Year 2000 Team to:

Assess Year 2000 compliance;
Identify specific problem areas;
Propose options for dealing with those problems; and
Provide an integrated implementation plan for corrective action.



The full report was received on June 30, 1998, and identified only two systems that required corrective action: The Assessment System; and the Claims Information Management System. A decision was taken to rebuild the Assessment System as the most cost effective way to accomplish Y2K compliance. The board entered into a contract with PricewaterhouseCoopers to design and build a new system. It is scheduled for completion, including data conversion and testing, by September 30, 1999. The CIMS was also found to be non-compliant, and the fixes required to remedy the situation were carried out in the latter part of 1998. In 1999, these fixes will be tested, and a completion date of July 31, 1999 is anticipated.

In all other aspects, the board is confident that it has done everything it can to ready the organization for the Year 2000. However, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the board, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Management's responsibility for financial reporting

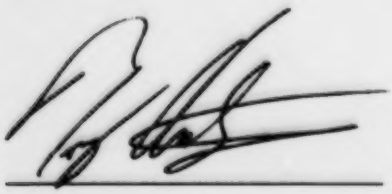
The management of the Yukon Workers' Compensation Health and Safety Board (the board) is responsible for establishing and maintaining a system of books, records, internal controls and management practices designed to provide reasonable assurance that reliable financial information is produced; board assets are safeguarded and controlled; the transactions of the board are in accordance with the relevant legislation, regulations and board policies; the board resources are managed efficiently and economically, and the operations of the board are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the board. The financial statements as of December 31, 1998, which include amounts based on management's best estimates as determined through experience and judgement, are in accordance with generally accepted accounting principles.

Board members (the Board) are responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Finance and Investment Committee. The Finance and Investment Committee has reviewed the financial statements and has submitted its report to the Chairman of the Board, who has approved these financial statements.

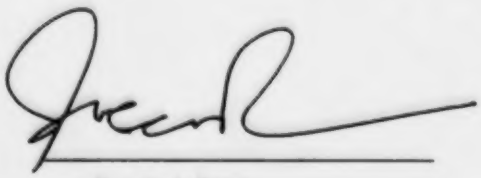
The Auditor General of Canada provides an independent audit for the purpose of expressing his opinion on the financial statements. He also considers whether the transactions that come to his notice in the course of the audit are, in all significant respects, in accordance with specified legislation.

Hewitt Associates, an independent consulting actuarial firm, has been engaged to provide an opinion of the adequacy and appropriateness of actuarial valuations of the benefits liability of the board.



Tony Armstrong

President and Chief Executive Officer



Susan J. Ryan

A/Chief Financial Officer

April 16, 1999

Auditor's report

To the Honourable Trevor Harding,

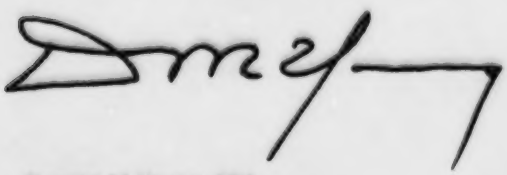
Minister responsible for the Compensation Fund (Yukon)

I have audited the balance sheet of the Compensation Fund (Yukon) as at December 31, 1998 and the statements of operations and reserves, and cash flows, for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 1998 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles. As required by the *Yukon Workers' Compensation Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept, the financial statements are in agreement therewith and the transactions of the Fund that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Yukon Workers' Compensation Act* and regulations, and the *Yukon Financial Administration Act* and regulations.



Donald M.Young, FCA

Assistant Auditor General

for the Auditor General of Canada

Ottawa, Canada

April 16, 1999

Actuarial certificate

We have completed an actuarial valuation of the benefits liability for insured employers under the *Yukon Workers' Compensation Act* as at December 31, 1998, for the purpose of providing input to the Balance Sheet of the Fund at December 31, 1998.

During 1998, a review of the methods and assumptions used to determine the benefits liability was undertaken. Revisions to the methods and assumptions adopted following the review resulted in a decrease of $27,776,000 in the benefits liability at December 31, 1998.

Our estimate of the benefits liability of $67,489,000 represents the actuarial present value at December 31, 1998 of all expected payments which will be made in future years and which relate to claims occurring on or before December 31, 1998.

The net interest rates used to discount future claim payments - 3% for pension and rehabilitation benefits, and 1.5% for medical aid, compensation benefits—make implicit provision for future increases in payment levels. As in previous valuations, the benefits liability does not include any provision for future claims related to unknown liabilities for any occupational disease, but do include provision for future expenses for administration of existing claims.

Our valuation was based on the provisions of the *Yukon Workers' Compensation Act* in effect as of December 31, 1998, the current practices and administration procedures of the Yukon Workers' Compensation Health and Safety Board and historical claims experience.

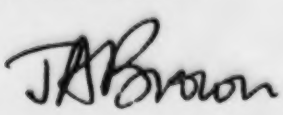
We have reviewed the data used for the valuation to test for reasonableness and consistency with the data used in prior years and with the data produced by other sources. In our opinion, the data is sufficient and reliable for the purpose of this valuation.

In our opinion, the actuarial methods and assumptions used are, in aggregate, appropriate for the purpose of the valuation.

This report has been prepared, and our opinions given, in accordance with accepted actuarial practice.

Respectfully submitted

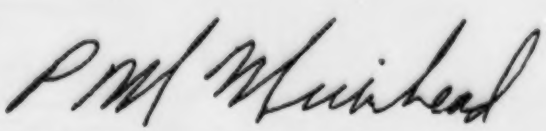
Hewitt Associates



J. Allan Brown, F.C.I.A

Fellow, Canadian Institute of Actuaries

April 16, 1999



Peter Muirhead, F.C.I.A.

Fellow, Canadian Institute of Actuaries

April 16, 1999

Compensation Fund Balance Sheet
As at December 31, 1998
(in thousands of dollars)

	1998	1997
Assets		
Cash	$ 181	$ 1,144
Accounts receivable (note 3)	686	1,511
Investments (note 4)	125,935	117,710
Capital assets (note 5)	3,150	3,156
	$ 129,952	$ 123,521
Liabilities and Reserves		
Accounts payable (note 3)	$ 2,737	$ 2,855
Benefits liability (note 6)	67,489	92,752
Total liabilities	70,226	95,607
Reserves (note 7)	59,726	27,914
	$129,952	$ 123,521

The accompanying notes are an integral part of the financial statements; including Commitments (note 10) and Contingent Liabilities (notes 11 and 13)

Approved by the Yukon Workers' Compensation Health and Safety Board

John L. Wright
Chair

Compensation Fund Statement of Operations and Reserves
For the year ended December 31, 1998
(In thousands of dollars)

Revenue	Current Year Injuries	Prior Years Injuries	1998 Total	1997 Total
Assessment	$ 7,512	$ 91	$ 7,603	$ 8,571
Recoveries and miscellaneous (note 8)	359	527	886	980
Investment	4,824	5,452	10,276	8,667
	12,695	6,070	18,765	18,218
Expenses				
Claims expenses (note 6)	8,757	391	9,148	11,532
Administration and prevention (note 12)				
Administration	3,935	712	4,647	4,237
Occupational health and safety	934	0	934	939
Total expenditures	13,626	1,103	14,729	16,708
Operating surplus (deficit) for the year	($ 931)	$ 4,967	4,036	1,510
Reserves, beginning of year			27,914	26,404
Effect of review of benefits liability (note 6 & 7)			27,776	
Reserves, end of year (note 7)			$59,726	$27,914

The accompanying notes are an integral part of the financial statements

Compensation Fund Statement of Cash Flows
For the year ended December 31, 1998
(in thousands of dollars)

	1998	1997
Cash flows from operating activities		
Cash received from:		
Employers, for assessments	$ 7,731	$ 8,182
Recoveries and miscellaneous	1,558	3,674
Investment revenue	9,340	8,126
	18,629	19,982
Cash paid to:		
Claimants or third parties on their behalf	(6,353)	(7,427)
Suppliers, for administrative and other goods and services	(5,701)	(4,213)
	(12,054)	(11,640)
Cash flows from operating activities	6,575	8,342
Cash flows from investment activities		
Cash received from:		
Sales and maturities of investments	313,826	462,022
Proceeds on disposal of capital assets	36	0
	313,862	462,022
Cash paid for:		
Purchases of investments	321,115	469,411
Purchases of capital assets	285	151
	321,400	469,562
Cash flows from investment activities	(7,538)	(7,540)
Net increase (decrease) in cash	(963)	802
Cash, beginning of year	1,144	342
Cash, end of year	$ 181	$ 1,144

The accompanying notes are an integral part of the financial statements

Compensation Fund
Notes to Financial Statements
December 31, 1998

1. Nature of Operations

The Compensation Fund (Yukon) was established by the *Yukon Workers' Compensation Act* and is administered by the Yukon Workers' Compensation Health and Safety Board (the board) pursuant to the Act. The Fund, as administered by the board, provides compensation for injury or death by accident arising out of and in the course of employment. Annual assessments are levied upon employers, usually on the basis of their reported assessable payrolls. The assessment and investment revenue pays for all of the claims, administration and prevention expenses.

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles. The more significant accounting policies of the board are as follows:

(a) Benefits liability

The benefits liability represents the actuarial present value of all expected benefit payments relating to existing claims, including short term disability, long term disability (pensions, annuities or loss of earnings benefits), survivor benefits, health care, rehabilitation, cost of living increases, enhanced disability and second injury payments and any other legislated or constructed liabilities related to existing claims. The benefits liability also includes the present value of expected future administration expenses related to existing claims. A separate provision is made for future claims related to occupational diseases or enhanced disabilities in the reserves, as they cannot be estimated with certainty.

(b) Funding policy

The benefits liability is fully funded. Once the benefits liability is determined, the remaining difference between the board's assets and liabilities is credited to the reserve.

During 1998, a review of the benefits liability was performed, resulting in a significant decline in the liability. This resulted in a corresponding increase to the reserves, in which the board has revised both the types of reserves and the amounts allocated to them. The reserves are comprised of a target reserve, a benefit enhancement reserve and a rate transition reserve.

The target reserve itself has three components, funded as follows:

Catastrophe claim –	200 times the maximum wage rate (previously 20% of the benefits liability)
Adverse claims experience –	16% of the unsubsidized assessment revenue plus 12% of the benefits liability (previously included in catastrophe claim component)
Occupational disease and enhanced disabilities –	7% of the benefit liability (previously 20% of catastrophe claim component)

In the past, a provision was made for asset replacement and no such provision is now considered necessary.

A provision for poor investment performance as part of the target reserve could be made, but deferred investment gains are offset against the reserve and the size of the board's gains result in no such provision.

After the target reserve has been funded, reserves are established for:

Benefit enhancement - one-half of historical investment gains and claims experience gains
Rate transition - one-half of historical investment gains and claims experience gains plus excess assessments

(c) Allocation of revenues and expenses to current and prior years

Revenues are allocated to the current year with the exception of revenue items which clearly relate to prior years. Investment interest earned is allocated in proportion to the benefits liability and reserve opening balances.

Assessment revenues are allocated to the appropriate industry and class. Claims costs are allocated to the appropriate industry and class based on the year of accident.

Administration expenses allocated to prior years are estimated on the basis of the allowance for such expenses included in the benefits liability, as determined by the actuary. The ongoing claims management costs are estimated to be 13% of ongoing claims payments.

(d) Assessments

Assessment revenues are calculated on actual or estimated payrolls as reported by the employer, or on provisional assessments as determined by the board. Separate rates of assessment are established for each industry classification.

In addition, the board administers the compensation claims of employees of the Government of the Yukon related to injuries prior to January 1, 1993 when the Government was a self-insured employer. The Fund receives reimbursement of the claim costs and related administrative expenses.

(e) Supplementary compensation benefits

Supplementary compensation benefits are granted, pursuant to the Yukon Workers' Compensation Supplementary Benefits Ordinance, to all persons receiving compensation on or after October 1, 1973 for accidents prior to that date. Compensation is increased to the amount that would have been granted had the accident occurred after the coming into force of the Act. The cost of these benefits is recovered from the Yukon Consolidated Revenue Fund.

(f) Third party subrogated claims

In certain limited circumstances, under section 42 of the Yukon Workers' Compensation Act, the board is deemed to be an assignee of a cause of action in respect of a claimant's disability. The claimant receives 25% of any settlement received, after deducting all the costs of the action. This is over and above any future benefits entitlement. The remaining amount is used to offset future claims benefits, which were previously expensed in accordance with actuarial calculations, and which were previously incorporated in the benefits liability.

Revenue received from third party subrogated claims is recorded in the year the settlement occurs. No provision is made for these claims in the benefits liability, because of their contingent nature.

2. Significant Accounting Policies (continued)

(g) Investments

The objective of the board's investment policy is to ensure that funds are available to satisfy the liabilities. A portion of the investments is designated to match the benefits liability.

The board manages its credit exposure by dealing only in short-term investments rated R1 or better, and also in long-term bonds rated A or better by the Dominion Bond Rating Service. Diversification of credit risk is managed by limiting the exposure in a single private institution to 5% of the portfolio.

The carrying value of fixed-term investments, having terms greater than one year, consisting primarily of bonds, is cost, net of amortization of premiums / discounts on purchase. Fair value is the stated market value at year-end. Gains and losses realized on disposal of fixed-term investments during the year are deferred and amortized over the remaining period to maturity.

Equity investments are carried at cost plus a moving average market method adjustment to amortize unrealized gains and losses over a five year period. Net realized gains or losses on the disposal of equity investments are deferred and amortized to income on a straight-line basis over five years.

(h) Allowance for doubtful accounts

An allowance for doubtful accounts is provided for by charges against assessment revenue. Doubtful accounts may be written off in accordance with board policy, if deemed uncollectible.

(i) Capital assets

Capital assets are carried at cost less accumulated amortization. Amortization is calculated on the straight-line method, using rates based on the estimated useful life of the assets as follows:

Buildings	40 years
Furniture and equipment	5 to 10 years
Computer equipment & software development	3 years
Mine safety equipment	5 years

(j) Employee pension plan, leave and termination benefits

Contributions are made by the Fund and its employees in equal amounts to the Public Service Superannuation Plan administered by Canada. The Fund's contribution is recorded on a current basis and represents the total pension obligation of the Fund.

Under the conditions of employment, employees may qualify and earn employment benefits for annual leave, retirement and severance pay. Annual leave is recorded at an estimated value based on outstanding leave credits. Other estimates of benefits due are based on past experience.

3. Accounts Receivable and Accounts Payable

	1998 ($000's)	1997 ($000's)
Receivable		
Government of Yukon	$ 402	$ 814
Assessments	220	468
Other receivables	64	229
	$ 686	$ 1,511
Payable		
Government of Yukon	$ 1,128	$ 1,656
Other payables	1,565	1,133
Assessment refundable	44	66
	$ 2,737	$ 2,855

4. Investments

	1998 ($000's) Carrying Value	1998 ($000's) Market Value	1997 ($000's) Carrying Value	1997 ($000's) Market Value
Long-term				
Federal interest bearing bonds	$ 65,591	$ 66,659	$ 69,405	$ 69,004
Provincial bonds	12,299	12,522		
Corporate bonds	38,827	39,609	37,525	38,511
	116,717	118,790	106,930	107,515
Accrued interest	1,495	1,495	1,452	1,452
Deferred realized gain	(18,612)		(18,648)	
	99,600	120,285	89,734	108,967
Short-term				
Treasury bills	1,162	1,162	2,214	2,214
	100,762	121,447	91,948	111,181
Stocks				
Canadian	23,312	23,649	23,923	23,388
Foreign	1,933	2,184	1,948	1,741
Custodial and investment management fee accrual	(72)	-	(109)	-
	$ 125,935	$ 147,280	$ 117,710	$ 136,310

Long-term investments mature and future amounts to be amortized to revenue for discounts (premiums) on federal bonds and coupons, and for deferred realized gains (losses), are as follows:

	Maturity Amounts ($000's)	Unamortized Discounts (Premiums) ($000's)	Unamortized Gains (Losses) ($000's)
1 to 5 years	$ 47,195	$ (2,143)	$ 2,219
6 to 10 years	31,222	(7,224)	4,134
11 to 15 years	10,103	(2,862)	985
16 to 20 years	2,965	(945)	2,243
More than 20 years	8,775	(3,283)	9,031
	$ 100,260	$ (16,457)	$ 18,612

4. Investments (continued)

Deferred realized investment gains or losses on long term investments sold are as follows:

	1998 ($000's)	1997 ($000's)
Opening balance	$ 18,648	$ 1,653
Realized net gain for the year	1,794	18,359
Amortization of net gain	(1,830)	(1,364)
Closing balance	$ 18,612	$ 18,648

5. Capital Assets

	Cost ($000's)	Accumulated Amortization ($000's)	1998 Net Carrying Value ($000's)	1997 Net Carrying Value ($000's)
Land	$ 390	$ 0	$ 390	$ 390
Buildings	2,987	(519)	2,468	2,526
Furniture and equipment	380	(286)	94	127
Mine Safety Equipment	91	(91)	0	13
Computer Equipment	709	(511)	198	100
	$ 4,557	$ (1,407)	$ 3,150	$ 3,156

6. Benefits Liability

In 1997, the Board authorized a review of the benefits liability, which was completed in 1998 by the Board's actuary (Hewitt Associates). This review resulted in a reduction in the benefits liability of $27,776,000 and a re-allocation of this amount to the reserves.

	Current Year Injuries ($000's)	Prior Year Injuries ($000's)	1998 Total ($000's)	1997 Total ($000's)
Opening balance			$92,752	$87,483
Effect of review of benefits liability			(27,776)	
			64,976	
Add:				
Claims expenses	$ 8,757	$ 391	9,148	11,532
Less:				
Claims payments	$ 1,155	$ 5,480	6,635	6,263
Closing balance			$ 67,489	$ 92,752

The benefits liability is based on actuarial valuations, which require actuarial and management estimates and assumptions on: inflation, investment performance, claims duration or costs, third party recoveries, etc. Actual results may be significantly different because of variances from these estimates or assumptions. A gain and loss statement is provided annually by the actuary, and any identified gain or loss is allocated as set out in note 2(b).

6. Benefits Liability (continued)

The benefits liability is comprised of three components:

- medical aid and compensation (includes rehabilitation benefits as well);
- pension; and
- annuity.

The review of the benefits liability resulted in changes to these components as at December 31, 1997:

	Previous Liability ($000's)	Increase/ (Decrease) ($000's)	Revised Liability ($000's)
Medical aid and compensation	$ 64,835	$ (22,777)	$ 42,058
Pension	26,451	(4,999)	21,452
Annuity	1,466	0	1,466
Total benefits liability	$ 92,752	$ (27,776)	$ 64,976

The $22,777,000 decrease in the medical aid and compensation liability is largely due to the following changes:

- the increase in net discount rate from 0% to 1.5% for medical aid and compensation benefits and 3% for rehabilitation benefits;
- reduction in the claims management expense allowance from 17.65% to 13%; and
- removal of some conservatism in the assumptions that was required due to the lack of data.

The $4,999,000 decrease in the pension liability is primarily due to:

- the increase in net discount rate from 2% to 3%; and
- reduction in the claims management expense allowance from 17.65% to 13%.

Although the benefits liability is significantly reduced, the revised liability is still considered to be conservatively determined due to the small size and cyclical nature of the Yukon's economy.

7. Reserves

The review of the benefits liability calculation by the board's actuary was completed in conjunction with a review of the funding policy as outlined in note 2 (b). The new reserve categories and the allocation to them is as follows:

	Allocation from Operations ($000's)	1998 ($000's)	1997 ($000's)
Operating Surplus	$ 4,036		
Effect of review of benefits liability	27,776		
Total for allocation	$ 31,812		
Target reserve			
Provision for catastrophic claims	$ (7,050)	$ 11,500	$ 18,550
Provision for adverse claims experience	9,324	9,324	0
Provision for occupational disease claims	1,014	4,724	3,710
Provision for capital asset replacement	(1,258)	0	1,258
Total target reserve	2,030	25,548	23,518
Benefit enhancement and rate transition reserve			
Provision for rate transition	18,411	22,807	4,396
Provision for benefit enhancement	11,371	11,371	0
Total benefit enhancement and rate transition reserve	29,782	34,178	4,396
Allocation to above provisions	$ 31,812		
Closing Balance		$ 59,726	$ 27,914

8. Recoveries and Miscellaneous

	Current Year Injuries ($000's)	Prior Years Injuries ($000's)	1998 Total ($000's)	1997 Total ($000's)
Subrogated claims recovery	$ 0	$ 136	$ 136	$ 123
Supplementary compensation benefits	0	391	391	416
Occupational health & safety expense recovery from government	330	0	330	330
Miscellaneous	29	0	29	111
	$ 359	$ 527	$ 886	$ 980

The board recovered $136,000 (1997 - $123,000) for subrogated claims. Out of this amount $34,000 (1997– $56,000) is payable to claimants or for the cost of legal actions. The remaining $102,000 (1997 - $67,000) offsets the future benefits payments. These payments were previously provided for in the benefits liability.

9. Related Party Transactions

As an agency of the Government of the Yukon, the board is related to all government departments, agencies and Crown corporations. The Fund paid the Government $821,000 (1997 - $802,000) for building maintenance, computer, office supplies, payroll, recruitment, vehicle and rehabilitation (Thomson Centre) services. The Fund also reimbursed $3,010,000 for payroll costs (1997 - $3,300,000). Revenues totaled $391,000 (1997 - $416,000) for supplementary benefits, and $330,000 (1997 - $330,000) for occupational health and safety mine rescue expenses. The ownership of all mainframe computer software is with the Government. The board also received audit services without charge from the Office of the Auditor General of Canada.

Any other transactions with the Government are part of the ordinary course of business. Effective January 1, 1993, all government employees are covered by the Fund. The board received assessments from the Government totaling $1,712,000 (1997 - $1,562,000) for post-92 claims. Pre-93 claims costs $91,000 (1997 - $221,000) were reimbursed to the Fund.

10. Commitments

The board has committed the Fund to a minimum fee for rehabilitation services provided by the Yukon Extended Care Facility (Thomson Centre) until March 31, 1999. The fee was $366,000 (1997 - $333,000). The board has committed to a contract for the replacement of the assessment system. The work commenced October 1, 1998 and is expected to be complete by August 31, 1999. The total value of the contract is $369,425.

11. Contingent Liabilities

The board is responsible for future costs of claims relating to certain latent occupational diseases which may have occurred in the current year or previously, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Because of the absence of reliable evidence and data pertaining to these matters, these liabilities cannot be estimated. Therefore, a separate amount has been allocated in the reserves.

12. Administration and Prevention Expenses ($000's)

	1998	1997
Salaries & benefits	$ 2,992	$ 3,175
Consulting & professional	1,161	641
Amortization	254	229
Buildings	174	214
Computer systems	237	244
Communications	108	123
Automobile and travel	158	159
Printing and publications	89	73
Board expenses	244	146
Staffing and recruitment	72	48
Furniture and equipment	21	42
Supplies and stationery	27	44
General administation	44	38
	$ 5,581	$ 5,176
The net expenses have been allocated as follows:		
Current year	$ 3,935	$ 3,407
Prior years	712	830
	4,647	4,237
Occupational health & safety	934	939
	$ 5,581	$ 5,176

13. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. Management has developed and is implementing a plan designed to identify and address the expected effects of the Year 2000 Issue on the board. As at December 31, 1998, the board has commenced the identification of computer systems that will require modification or replacement. An assessment of the readiness of third parties such as customers, suppliers and others is ongoing. However, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the board, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

14. Comparative figures

Certain 1997 figures, which are presented for comparative purposes, have been reclassified to conform with the current year presentation.